

REFERENCE TITLE: income tax; revenue sharing; reductions

State of Arizona  
Senate  
Forty-seventh Legislature  
Second Regular Session  
2006

## **SB 1408**

Introduced by

Senator Burns; Representatives Allen J, Murphy; Senators Bee, Blendu,  
Gould, Harper, Huppenthal, Johnson, Martin; Representatives Boone, Brown,  
Borges, Chase, Pearce, Stump

AN ACT

AMENDING SECTIONS 42-5029, 43-206, 43-1011 AND 43-1111, ARIZONA REVISED  
STATUTES; RELATING TO INCOME TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-5029, Arizona Revised Statutes, is amended to  
3 read:

4 42-5029. Remission and distribution of monies; definition

5 A. The department shall deposit, pursuant to sections 35-146 and  
6 35-147, all revenues collected under this article and articles 4, 5, 8 and 9  
7 of this chapter pursuant to section 42-1116, separately accounting for:

8 1. Payments of estimated tax under section 42-5014, subsection D.

9 2. Revenues collected pursuant to section 42-5070.

10 3. Revenues collected under this article and article 5 of this chapter  
11 from and after June 30, 2000 from sources located on Indian reservations in  
12 this state.

13 4. Revenues collected pursuant to section 42-5010, subsection G and  
14 section 42-5155, subsection D.

15 B. The department shall credit payments of estimated tax to an  
16 estimated tax clearing account and each month shall transfer all monies in  
17 the estimated tax clearing account to a fund designated as the transaction  
18 privilege and severance tax clearing account. The department shall credit  
19 all other payments to the transaction privilege and severance tax clearing  
20 account, separately accounting for the monies designated as distribution base  
21 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month  
22 the department shall report to the state treasurer the amount of monies  
23 collected pursuant to this article and articles 4, 5, 8 and 9 of this  
24 chapter.

25 C. On notification by the department, the state treasurer shall  
26 distribute the monies deposited in the transaction privilege and severance  
27 tax clearing account in the manner prescribed by this section and by sections  
28 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against  
29 the account pursuant to sections 42-1118 and 42-1254.

30 D. Of the monies designated as distribution base the department shall:

31 1. Pay twenty-five per cent to the various incorporated municipalities  
32 in this state in proportion to their population to be used by the  
33 municipalities for any municipal purpose, EXCEPT THAT EACH TOWN HAVING A  
34 POPULATION OF LESS THAN ONE THOUSAND FIVE HUNDRED PERSONS SHALL RECEIVE AT  
35 LEAST ONE HUNDRED THOUSAND DOLLARS EACH FISCAL YEAR.

36 2. Pay 38.08 per cent to the counties in this state by averaging the  
37 following proportions:

38 (a) The proportion that the population of each county bears to the  
39 total state population.

40 (b) The proportion that the distribution base monies collected during  
41 the calendar month in each county under this article, section 42-5164,  
42 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409  
43 bear to the total distribution base monies collected under this article,  
44 section 42-5164, subsection B, section 42-5205, subsection B and sections  
45 42-5353 and 42-5409 throughout the state for the calendar month.

3. Pay an additional 2.43 per cent to the counties in this state as follows:

(a) Average the following proportions:

(i) The proportion that the assessed valuation used to determine secondary property taxes of each county, after deducting that part of the assessed valuation that is exempt from taxation at the beginning of the month for which the amount is to be paid, bears to the total assessed valuations used to determine secondary property taxes of all the counties after deducting that portion of the assessed valuations that is exempt from taxation at the beginning of the month for which the amount is to be paid. Property of a city or town that is not within or contiguous to the municipal corporate boundaries and from which water is or may be withdrawn or diverted and transported for use on other property is considered to be taxable property in the county for purposes of determining assessed valuation in the county under this item.

(ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 throughout the state for the calendar month.

(b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount:

(a) The legislature shall annually appropriate to:

(i) The department of revenue sufficient monies to administer and enforce this article and articles 5, 8 and 9 of this chapter.

(ii) The department of economic security monies to be used for the purposes stated in title 46, chapter 1.

(iii) The Arizona arts endowment fund established by section 41-986, the full amount by which revenues derived from the amusement classification pursuant to section 42-5073 for the current fiscal year exceed the revenues that were derived from that classification in fiscal year 1993-1994, except

1 that this amount shall not exceed two million dollars through fiscal year  
2 2008-2009.

3 (iv) The firearms safety and ranges fund established by section  
4 17-273, fifty thousand dollars derived from the taxes collected from the  
5 retail classification pursuant to section 42-5061 for the current fiscal  
6 year.

7 (b) The state treasurer shall transfer to the tourism fund an amount  
8 equal to the sum of the following:

9 (i) Three and one-half per cent of the gross revenues derived from the  
10 transient lodging classification pursuant to section 42-5070 during the  
11 preceding fiscal year.

12 (ii) Three per cent of the gross revenues derived from the amusement  
13 classification pursuant to section 42-5073 during the preceding fiscal year.

14 (iii) Two per cent of the gross revenues derived from the restaurant  
15 classification pursuant to section 42-5074 during the preceding fiscal year.

16 E. If approved by the qualified electors voting at a statewide general  
17 election, all monies collected pursuant to section 42-5010, subsection G and  
18 section 42-5155, subsection D shall be distributed each fiscal year pursuant  
19 to this subsection. The monies distributed pursuant to this subsection are  
20 in addition to any other appropriation, transfer or other allocation of  
21 public or private monies from any other source and shall not supplant,  
22 replace or cause a reduction in other school district, charter school,  
23 university or community college funding sources. The monies shall be  
24 distributed as follows:

25 1. If there are outstanding state school facilities revenue bonds  
26 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the  
27 amount that is necessary to pay the fiscal year's debt service on outstanding  
28 state school improvement revenue bonds for the current fiscal year shall be  
29 transferred each month to the school improvement revenue bond debt service  
30 fund established by section 15-2084. The total amount of bonds for which  
31 these monies may be allocated for the payment of debt service shall not  
32 exceed a principal amount of eight hundred million dollars exclusive of  
33 refunding bonds and other refinancing obligations.

34 2. After any transfer of monies pursuant to paragraph 1 of this  
35 subsection, twelve per cent of the remaining monies collected during the  
36 preceding month shall be transferred to the technology and research  
37 initiative fund established by section 15-1648 to be distributed among the  
38 universities for the purpose of investment in technology and research-based  
39 initiatives.

40 3. After the transfer of monies pursuant to paragraph 1 of this  
41 subsection, three per cent of the remaining monies collected during the  
42 preceding month shall be transferred to the workforce development account  
43 established in each community college district pursuant to section 15-1472  
44 for the purpose of investment in workforce development programs.

45 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
46 subsection, one-twelfth of the amount a community college that is owned,

1 operated or chartered by a qualifying Indian tribe on its own Indian  
2 reservation would receive pursuant to section 15-1472, subsection D,  
3 paragraph 2 if it were a community college district shall be distributed each  
4 month to the treasurer or other designated depository of a qualifying Indian  
5 tribe. Monies distributed pursuant to this paragraph are for the exclusive  
6 purpose of providing support to one or more community colleges owned,  
7 operated or chartered by a qualifying Indian tribe and shall be used in a  
8 manner consistent with section 15-1472, subsection B. For purposes of this  
9 paragraph, "qualifying Indian tribe" has the same meaning as defined in  
10 section 42-5031.01, subsection D.

11 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
12 subsection, one-twelfth of the following amounts shall be transferred each  
13 month to the department of education for the increased cost of basic state  
14 aid under section 15-971 due to added school days and associated teacher  
15 salary increases enacted in 2000:

- 16 (a) In fiscal year 2001-2002, \$15,305,900.
- 17 (b) In fiscal year 2002-2003, \$31,530,100.
- 18 (c) In fiscal year 2003-2004, \$48,727,700.
- 19 (d) In fiscal year 2004-2005, \$66,957,200.
- 20 (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
21 \$86,280,500.

22 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
23 subsection, seven million eight hundred thousand dollars is appropriated each  
24 fiscal year, to be paid in monthly installments, to the department of  
25 education to be used for school safety as provided in section 15-154 and two  
26 hundred thousand dollars is appropriated each fiscal year, to be paid in  
27 monthly installments to the department of education to be used for the  
28 character education matching grant program as provided in section 15-154.01.

29 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
30 subsection, no more than seven million dollars may be appropriated by the  
31 legislature each fiscal year to the department of education to be used for  
32 accountability purposes as described in section 15-241 and title 15, chapter  
33 9, article 8.

34 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
35 subsection, one million five hundred thousand dollars is appropriated each  
36 fiscal year, to be paid in monthly installments, to the failing schools  
37 tutoring fund established by section 15-241.

38 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
39 subsection, twenty-five million dollars shall be transferred each fiscal year  
40 to the state general fund to reimburse the general fund for the cost of the  
41 income tax credit allowed by section 43-1072.01.

42 10. After the payment of monies pursuant to paragraphs 1 through 9 of  
43 this subsection, the remaining monies collected during the preceding month  
44 shall be transferred to the classroom site fund established by section  
45 15-977. The monies shall be allocated as follows in the manner prescribed by  
46 section 15-977:

1 (a) Forty per cent shall be allocated for teacher compensation based  
2 on performance.

3 (b) Twenty per cent shall be allocated for increases in teacher base  
4 compensation and employee related expenses.

5 (c) Forty per cent shall be allocated for maintenance and operation  
6 purposes.

7 F. The department shall credit the remainder of the monies in the  
8 transaction privilege and severance tax clearing account to the state general  
9 fund, subject to any distribution required by section 42-5030.01.

10 G. Notwithstanding subsection D of this section, if a court of  
11 competent jurisdiction finally determines that tax monies distributed under  
12 this section were illegally collected under this article or articles 5, 8 and  
13 9 of this chapter and orders the monies to be refunded to the taxpayer, the  
14 department shall compute the amount of such monies that was distributed to  
15 each city, town and county under this section. The department shall notify  
16 the state treasurer of that amount plus the proportionate share of additional  
17 allocated costs required to be paid to the taxpayer. Each city's, town's and  
18 county's proportionate share of the costs shall be based on the amount of the  
19 original tax payment each municipality and county received. Each month the  
20 state treasurer shall reduce the amount otherwise distributable to the city,  
21 town and county under this section by one thirty-sixth of the total amount to  
22 be recovered from the city, town or county until the total amount has been  
23 recovered, but the monthly reduction for any city, town or county shall not  
24 exceed ten per cent of the full monthly distribution to that entity. The  
25 reduction shall begin for the first calendar month after the final  
26 disposition of the case and shall continue until the total amount, including  
27 interest and costs, has been recovered.

28 H. On receiving a certificate of default from the greater Arizona  
29 development authority pursuant to section 41-1554.06 or 41-1554.07 and to the  
30 extent not otherwise expressly prohibited by law, the state treasurer shall  
31 withhold from the next succeeding distribution of monies pursuant to this  
32 section due to the defaulting political subdivision the amount specified in  
33 the certificate of default and immediately deposit the amount withheld in the  
34 greater Arizona development authority revolving fund. The state treasurer  
35 shall continue to withhold and deposit the monies until the greater Arizona  
36 development authority certifies to the state treasurer that the default has  
37 been cured. In no event may the state treasurer withhold any amount that the  
38 defaulting political subdivision certifies to the state treasurer and the  
39 authority as being necessary to make any required deposits then due for the  
40 payment of principal and interest on bonds of the political subdivision that  
41 were issued before the date of the loan repayment agreement or bonds and that  
42 have been secured by a pledge of distributions made pursuant to this section.

43 I. Except as provided by sections 42-5033 and 42-5033.01, the  
44 population of a county, city or town as determined by the most recent United  
45 States decennial census plus any revisions to the decennial census certified

1 by the United States bureau of the census shall be used as the basis for  
2 apportioning monies pursuant to subsection D of this section.

3 J. For the purposes of this section, "community college district"  
4 means a community college district **THAT IS** established pursuant to sections  
5 15-1402 and 15-1403 **AND** that is a political subdivision of this state.

6 Sec. 2. Section 43-206, Arizona Revised Statutes, is amended to read:  
7 **43-206. Urban revenue sharing fund; allocation; distribution**

8 A. There is established an urban revenue sharing fund. ~~For fiscal~~  
9 ~~year 2000-2001 and fiscal year 2001-2002, the urban revenue sharing fund~~  
10 ~~shall consist of an amount equal to fifteen per cent of the net proceeds of~~  
11 ~~the state income taxes for fiscal year 1998-1999 and 1999-2000, respectively.~~  
12 ~~For fiscal years 2002-2003 and 2003-2004, the fund shall consist of an amount~~  
13 ~~equal to fifteen per cent of the amount of monies transferred pursuant to law~~  
14 ~~in fiscal year 2000-2001 and 2001-2002, respectively, from the budget~~  
15 ~~stabilization fund to the tax refund account of the state general fund plus~~  
16 ~~fourteen and eight-tenths per cent of the net proceeds of the state income~~  
17 ~~taxes, not including any amounts transferred from the budget stabilization~~  
18 ~~fund to the tax refund account, for fiscal year 2000-2001 and 2001-2002,~~  
19 ~~respectively. For fiscal year 2004-2005 and each fiscal year thereafter,~~  
20 **THROUGH FISCAL YEAR 2006-2007,** the fund shall consist of an amount equal to  
21 fifteen per cent of the net proceeds of the state income taxes for the fiscal  
22 year two years preceding the current fiscal year. **FOR FISCAL YEARS 2007-2008**  
23 **THROUGH 2016-2017, THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S**  
24 **OFFICE OF STRATEGIC PLANNING AND BUDGETING SHALL JOINTLY COMPUTE AN AMOUNT TO**  
25 **BE DEPOSITED IN THE FUND EACH YEAR, BASED ON THE NET PROCEEDS OF THE STATE**  
26 **INCOME TAXES FOR THE FISCAL YEAR TWO YEARS BEFORE THE CURRENT FISCAL YEAR,**  
27 **THAT WILL PROVIDE FOR A UNIFORM ANNUAL REDUCTION OF DISTRIBUTIONS FROM THE**  
28 **FUND TO CITIES WITH POPULATIONS OF MORE THAN ONE HUNDRED THOUSAND PERSONS AS**  
29 **PROVIDED BY SUBSECTION B OF THIS SECTION. BEGINNING IN FISCAL YEAR**  
30 **2017-2018, THE FUND SHALL CONSIST OF THE SAME PERCENTAGE AMOUNT OF THE NET**  
31 **PROCEEDS OF THE STATE INCOME TAXES FOR THE FISCAL YEAR TWO YEARS BEFORE THE**  
32 **CURRENT FISCAL YEAR THAT WAS COMPUTED FOR FISCAL YEAR 2016-2017.** The fund  
33 shall be distributed to incorporated cities and towns as provided in this  
34 section. The transfer of net proceeds prescribed by section 49-282,  
35 subsection B does not affect the calculation of net proceeds prescribed by  
36 this subsection.

37 B. **THE MONIES IN THE FUND SHALL BE DISTRIBUTED AMONG CITIES AND TOWNS**  
38 **IN TWO CLASSES.** Each city or town **IN EACH CLASS** shall share in the urban  
39 revenue sharing fund in the proportion that the population of each bears to  
40 the population of all **CITIES AND TOWNS IN THAT CLASS, EXCEPT THAT EACH CITY**  
41 **OR TOWN HAVING A POPULATION OF LESS THAN ONE THOUSAND FIVE HUNDRED PERSONS**  
42 **SHALL RECEIVE AT LEAST ONE HUNDRED THOUSAND DOLLARS EACH FISCAL YEAR.** Except  
43 as provided by sections 42-5033 and 42-5033.01, the population of a city or  
44 town as determined by the most recent United States decennial census plus any  
45 revisions to the decennial census certified by the United States bureau of  
46 the census shall be used as the basis for apportioning monies pursuant to

1 this subsection. THE MONIES IN THE FUND SHALL BE APPORTIONED AMONG THE  
2 CLASSES AS FOLLOWS:

3 1. THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF  
4 STRATEGIC PLANNING AND BUDGETING SHALL JOINTLY COMPUTE AN AMOUNT FOR  
5 DISTRIBUTION AMONG CITIES WITH POPULATIONS OF MORE THAN ONE HUNDRED THOUSAND  
6 PERSONS BASED ON A UNIFORM ANNUAL REDUCTION, BEGINNING IN FISCAL YEAR  
7 2007-2008, UNTIL BEGINNING IN FISCAL YEAR 2017-2018 CITIES WITH POPULATIONS  
8 OF MORE THAN ONE HUNDRED THOUSAND PERSONS SHALL NOT RECEIVE DISTRIBUTIONS OF  
9 MONIES FROM THE URBAN REVENUE SHARING FUND.

10 2. THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF  
11 STRATEGIC PLANNING AND BUDGETING SHALL JOINTLY COMPUTE AN AMOUNT FOR  
12 DISTRIBUTION AMONG CITIES AND TOWNS WITH POPULATIONS OF ONE HUNDRED THOUSAND  
13 PERSONS OR LESS THAT MAINTAINS THEIR RELATIVE AMOUNT OF URBAN REVENUE SHARING  
14 FUND DISTRIBUTIONS.

15 3. IF A CITY'S POPULATION INCREASES ABOVE ONE HUNDRED THOUSAND PERSONS  
16 OR DECREASES TO ONE HUNDRED THOUSAND PERSONS OR LESS, THE CITY SHALL BE  
17 PLACED IN THE NEW CLASS UNDER PARAGRAPH 1 OR 2 IN THE FIRST FISCAL YEAR AFTER  
18 THE NEW POPULATION IS ESTABLISHED.

19 C. The treasurer, upon instruction from the department, shall  
20 transmit, no later than the tenth day of each month, to each city or town an  
21 amount equal to one-twelfth of that city's or town's total entitlement for  
22 the current fiscal year from the urban revenue sharing fund as determined by  
23 the department.

24 D. A newly incorporated city or town shall share in the urban revenue  
25 sharing fund beginning the first month of the first full fiscal year  
26 following incorporation.

27 E. On receipt of a certificate of default from the greater Arizona  
28 development authority pursuant to section 41-1554.06 or 41-1554.07, the state  
29 treasurer, to the extent not otherwise expressly prohibited by law, shall  
30 withhold from the next succeeding distribution of monies pursuant to this  
31 section due to the city or town the amount specified in the certificate of  
32 default and immediately deposit the amount withheld in the greater Arizona  
33 development authority revolving fund. The state treasurer shall continue to  
34 withhold and deposit the monies until the authority certifies to the state  
35 treasurer that the default has been cured. In no event shall the state  
36 treasurer withhold any amount that is necessary, as certified by the  
37 defaulting political subdivision to the state treasurer and the authority, to  
38 make any required deposits then due for the payment of principal and interest  
39 on bonds of the political subdivision that were issued prior to the date of  
40 the loan repayment agreement or bonds and that have been secured by a pledge  
41 of distributions made pursuant to this section.

42 Sec. 3. Section 43-1011, Arizona Revised Statutes, is amended to read:

43 43-1011. Taxes and tax rates

44 There shall be levied, collected and paid for each taxable year upon  
45 the entire taxable income of every resident of this state and upon the entire



1 taxable income of every nonresident which is derived from sources within this  
 2 state taxes determined in the following manner:

3 1. For taxable years beginning from and after December 31, 1996  
 4 through December 31, 1997:

5 (a) In the case of a single person or a married person filing  
 6 separately:

7	<u>If taxable income is:</u>	<u>The tax is:</u>
8	\$0 - \$10,000	2.90% of taxable income
9	\$10,001 - \$25,000	\$290, plus 3.30% of the excess over
10		\$10,000
11	\$25,001 - \$50,000	\$785, plus 3.90% of the excess over
12		\$25,000
13	\$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over
14		\$50,000
15	\$150,001 and over	\$6,560, plus 5.17% of the excess over
16		\$150,000

17 (b) In the case of a married couple filing a joint return or a single  
 18 person who is a head of a household:

19	<u>If taxable income is:</u>	<u>The tax is:</u>
20	\$0 - \$20,000	2.90% of taxable income
21	\$20,001 - \$50,000	\$580, plus 3.30% of the excess over
22		\$20,000
23	\$50,001 - \$100,000	\$1,570, plus 3.90% of the excess over
24		\$50,000
25	\$100,001 - \$300,000	\$3,520, plus 4.80% of the excess over
26		\$100,000
27	\$300,001 and over	\$13,120, plus 5.17% of the excess over
28		\$300,000

29 2. For taxable years beginning from and after December 31, 1997  
 30 through December 31, 1998:

31 (a) In the case of a single person or a married person filing  
 32 separately:

33	<u>If taxable income is:</u>	<u>The tax is:</u>
34	\$0 - \$10,000	2.88% of taxable income
35	\$10,001 - \$25,000	\$288, plus 3.24% of the excess over
36		\$10,000
37	\$25,001 - \$50,000	\$774, plus 3.82% of the excess over
38		\$25,000
39	\$50,001 - \$150,000	\$1,729, plus 4.74% of the excess over
40		\$50,000
41	\$150,001 and over	\$6,469, plus 5.10% of the excess over
42		\$150,000

43 (b) In the case of a married couple filing a joint return or a single  
 44 person who is a head of a household:

1	<u>If taxable income is:</u>	<u>The tax is:</u>
2	\$0 - \$20,000	2.88% of taxable income
3	\$20,001 - \$50,000	\$576, plus 3.24% of the excess over
4		\$20,000
5	\$50,001 - \$100,000	\$1,548, plus 3.82% of the excess over
6		\$50,000
7	\$100,001 - \$300,000	\$3,458, plus 4.74% of the excess over
8		\$100,000
9	\$300,001 and over	\$12,938, plus 5.10% of the excess over
10		\$300,000

11 3. For taxable years beginning from and after December 31, 1998  
 12 THROUGH DECEMBER 31, 2006:

13 (a) In the case of a single person or a married person filing  
 14 separately:

15	<u>If taxable income is:</u>	<u>The tax is:</u>
16	\$0 - \$10,000	2.87% of taxable income
17	\$10,001 - \$25,000	\$287, plus 3.20% of the excess over
18		\$10,000
19	\$25,001 - \$50,000	\$767, plus 3.74% of the excess over
20		\$25,000
21	\$50,001 - \$150,000	\$1,702, plus 4.72% of the excess over
22		\$50,000
23	\$150,001 and over	\$6,422, plus 5.04% of the excess over
24		\$150,000

25 (b) In the case of a married couple filing a joint return or a single  
 26 person who is a head of a household:

27	<u>If taxable income is:</u>	<u>The tax is:</u>
28	\$0 - \$20,000	2.87% of taxable income
29	\$20,001 - \$50,000	\$574, plus 3.20% of the excess over
30		\$20,000
31	\$50,001 - \$100,000	\$1,534, plus 3.74% of the excess over
32		\$50,000
33	\$100,001 - \$300,000	\$3,404, plus 4.72% of the excess over
34		\$100,000
35	\$300,001 and over	\$12,844, plus 5.04% of the excess over
36		\$300,000

37 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2006  
 38 THROUGH DECEMBER 31, 2016, ON OR BEFORE SEPTEMBER 1 OF EACH YEAR THE JOINT  
 39 LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING  
 40 AND BUDGETING SHALL JOINTLY COMPUTE A REVISED TAX RATE SCHEDULE FOR THE  
 41 FOLLOWING TAXABLE YEAR FOR EACH INDIVIDUAL INCOME BRACKET AND EACH FILING  
 42 STATUS THAT:

43 (a) REDUCES THE AMOUNT OF INDIVIDUAL INCOME TAX REVENUES IN THE FISCAL  
 44 YEAR THAT, TOGETHER WITH CORPORATE INCOME TAX REVENUE REDUCTIONS UNDER  
 45 SECTION 43-1111, WILL PRODUCE AN INCOME TAX REVENUE REDUCTION EQUAL TO THE

1 AMOUNT OF REDUCTION IN URBAN REVENUE SHARING DISTRIBUTIONS IN THAT YEAR  
2 PURSUANT TO SECTION 43-206, SUBSECTION B, PARAGRAPH 1, WITH ALLOWANCES FOR:

- 3 (i) THE EFFECTS OF INFLATION AND POPULATION.
- 4 (ii) WITHHOLDING TAX AND ESTIMATED TAX PAYMENTS THAT ARE COLLECTED IN  
5 ONE FISCAL YEAR BUT ARE ATTRIBUTABLE TO A DIFFERENT TAXABLE YEAR.
- 6 (b) MAINTAINS THE PROPORTIONAL NET REVENUE GENERATION FROM INDIVIDUAL  
7 INCOME TAX UNDER THIS CHAPTER IN RELATION TO CORPORATE INCOME TAX UNDER  
8 CHAPTER 11 OF THIS TITLE.

9 5. THE TAX RATE SCHEDULE COMPUTED PURSUANT TO PARAGRAPH 4 OF THIS  
10 SECTION FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015 THROUGH  
11 DECEMBER 31, 2016 SHALL CONTINUE TO APPLY FOR SUBSEQUENT TAXABLE YEARS.

12 Sec. 4. Section 43-1111, Arizona Revised Statutes, is amended to read:  
13 43-1111. Tax rates for corporations

14 A. There shall be levied, collected and paid for each taxable year  
15 upon the entire Arizona taxable income of every corporation, unless exempt  
16 under section 43-1126 or 43-1201 or as otherwise provided in this title or by  
17 law, taxes in an amount of 6.968 per cent of net income or fifty dollars,  
18 whichever is greater FOR TAXABLE YEARS THROUGH DECEMBER 31, 2006.

19 B. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2006  
20 THROUGH DECEMBER 31, 2016, ON OR BEFORE SEPTEMBER 1 OF EACH YEAR THE JOINT  
21 LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING  
22 AND BUDGETING SHALL JOINTLY COMPUTE A REVISED TAX RATE FOR CORPORATIONS FOR  
23 THE FOLLOWING TAXABLE YEAR THAT:

24 1. REDUCES THE AMOUNT OF CORPORATE INCOME TAX REVENUES IN THE FISCAL  
25 YEAR THAT, TOGETHER WITH INDIVIDUAL INCOME TAX REVENUE REDUCTIONS UNDER  
26 SECTION 43-1011, WILL PRODUCE AN INCOME TAX REVENUE REDUCTION EQUAL TO THE  
27 AMOUNT OF REDUCTION IN URBAN REVENUE SHARING DISTRIBUTIONS IN THAT YEAR  
28 PURSUANT TO SECTION 43-206, SUBSECTION B, PARAGRAPH 1, WITH ALLOWANCES FOR:

- 29 (a) THE EFFECTS OF INFLATION AND NEW CORPORATE TAXPAYERS.
- 30 (b) ESTIMATED TAX PAYMENTS THAT ARE COLLECTED IN ONE FISCAL YEAR BUT  
31 ARE ATTRIBUTABLE TO A DIFFERENT TAXABLE YEAR.

32 2. MAINTAINS THE PROPORTIONAL NET REVENUE GENERATION FROM CORPORATE  
33 INCOME TAX UNDER THIS CHAPTER IN RELATION TO INDIVIDUAL INCOME TAX UNDER  
34 CHAPTER 10 OF THIS TITLE.

35 3. INCLUDES A MINIMUM TAX OF FIFTY DOLLARS.

36 C. THE TAX RATE COMPUTED PURSUANT TO SUBSECTION B OF THIS SECTION FOR  
37 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015 THROUGH DECEMBER 31,  
38 2016 SHALL CONTINUE TO APPLY FOR SUBSEQUENT TAXABLE YEARS.

39 Sec. 5. Retroactivity

40 Sections 43-1011 and 43-1111, Arizona Revised Statutes, as amended by  
41 this act, are effective and apply retroactively for taxable years beginning  
42 from and after December 31, 2005.